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~~SECURITY INFORMATION~~**CENTRAL INTELLIGENCE AGENCY****OFFICE OF NATIONAL ESTIMATES**

10 December 1951

**STAFF MEMORANDUM NO. 166****SUBJECT: Current Impasse over a German Defense Contribution**

1. Despite continued progress in the complex negotiations over tying West Germany to the NATO complex, the serious problems which have recently arisen raise a question as to whether these negotiations can reach fruition as early as expected or, indeed, whether agreement on the presently contemplated basis can be achieved at all. As presently conceived, German association with the West and a German defense contribution are to be accomplished within the framework of three interdependent accords—the Schuman Plan, the Pleven Plan (EDC), and a new contractual relationship with Bonn to replace the present occupation regime.

2. The Schuman Plan has already been initialed and, despite continued opposition in many quarters, appears likely to be ratified by the governments concerned. However, negotiations on the other two more controversial projects have now reached a crucial stage in which, discussion having been raised to a governmental level, serious differences have emerged. The US, which once hoped that definitive agreement on these measures would be reached at the Rome NATO meeting, now is pressing for a decision at the NAT Council's Lisbon session on 2 February 1952. However, even given heavy US pressure, it is apparent that several European governments, particularly the French, will have to modify their positions if a solution is to be reached. Moreover, the EDC and contractual agreements will then have to pass the final hurdle of parliamentary ratification, especially in France and Germany. The USSR may well seek through further diplomatic maneuvers to prevent final conclusion of these accords.

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STATUS OF THE CONTRACTUAL NEGOTIATIONS

3. Two months of negotiations between the three Western Powers and the West Germans have produced agreement on the outlines of the general convention designed to readjust Germany's international status.<sup>1/</sup> This draft agreement, however, does not include the annexes which are still under negotiation and which will become an integral part of the Convention. Two issues in particular, the security safeguards and financial arrangements, may well prove extremely troublesome.

4. While the accord on the general convention actually sidestepped many important issues, the fact that an agreement was reached is in itself important and was in no sense assured in advance. It was the product of tripartite concessions, some of which (such as dropping any mention of a Council of Ambassadors) were stylistic changes designed to make the draft more palatable to the Germans but others of which, if finally adopted, are highly significant. The Western Powers gave assurances that they would consult with the German Government in their relations with the East bloc states and on all other matters involving the exercise of Allied rights relating to Germany as a whole. They agreed to allow German appeal to the North Atlantic Council in the event that the Three Powers do not terminate a state of emergency within 30 days after a Bonn request to do so. The declaration in favor of a peace settlement for "the whole of Germany" may be of value to Adenauer in countering opposition charges that he is "writing off" both the Soviet and Polish areas of occupation. Of even greater importance to the Germans was the agreement that a unified Germany would be entitled to all present rights under the contractual accords, and under the Pleven and Schuman Plans. The effect of this is to relieve the Germans of their fear that Germany might be the victim of a Four Power accord (or East-West rapprochement) which in effect might restore Germany to its 1945 status. While separate from the contractual accords, the Allied security guarantees of West Berlin and Western Germany is also an important part of the complex of agreements.<sup>2/</sup>

5. However, several crucial issues remain to be resolved before final agreements can be reached, notably on (a) the form and magnitude of the German defense contribution; and (b) security controls over German war potential. The occupying powers have agreed that Germany should contribute roughly 13 billion DM (over \$3 billion) in fiscal

<sup>1/</sup> See Tab "A" for draft of the general convention.

<sup>2/</sup> For a draft of the security guarantees see Tab "B".

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1953—about 10% of German GNP and roughly twice the current occupation costs. This is a far greater outlay than German officials believe can be sustained. Moreover, the form of this contribution and the priority of various claims upon it are also in dispute.

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6. The French in particular also wish to maintain controls and prohibitions over production and research in atomic, biological, and chemical weapons, long-range and guided missiles, civil and military aircraft, naval vessels other than minor craft, and even heavy weapons. The US and UK oppose restricting heavy weapons (tanks, etc.) as incompatible with NATO needs. Agreement has been reached that there will be no separate control organization (like the Military Security Board) but procedures remain to be worked out as to how controls could be imposed through NATO or the EDC. Continuation of such controls will inevitably cause great resentment in Germany and will be a serious barrier to acceptance of the accords.

#### STATUS OF THE EDC NEGOTIATIONS

8. The parallel negotiations on the Fleven Plan have also reached a crucial stage in which serious political differences have emerged. Recent indications suggest that the task of reaching an agreement acceptable to both the governments and the parliaments of the six countries is likely to prove far more difficult than had been envisaged during past weeks.<sup>3/</sup> While most of the basic military issues appear to have been resolved, strong opposition to the political and economic aspects of the plan could easily threaten the entire project.

#### Opposition in France

9. Negotiations on the financial aspects of the Fleven Plan are stalled because the French are unwilling to commit themselves until they have exact assurances of the scope and timing of US aid and until

<sup>3/</sup> For a detailed statement of the financial aspects of the EDC see TAB "C".

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they believe that they can meet both their NATO and non-NATO military obligations. This insistence stems largely from French fears that their financial weakness might prevent them from maintaining an adequate force within the EDC, thereby threatening their military position vis-a-vis Germany on the Continent. Although evidence is inconclusive, it is probable that present French military weakness on the Continent, particularly in professional officers and NCO's, has troubled French officials and caused them to postpone final action on the EDC and to resist any interim formulae which might enable the Germans to begin rearming and to start recruiting volunteer cadres before final agreement on EDC institutions are completed. Another equally serious obstacle is that of increased opposition within the French National Assembly, which is assuming dangerous proportions and which could easily upset the uneasy coalition of third force parties which favor the EDC concept, in favor of a Gaullist-led regime which would probably reject the EDC. With the assured opposition of the Gaullists and Communists, favorable Assembly action on the EDC will hinge on the position taken by the Socialists. The chances of Socialist support of the EDC appear no better than even at this point.

#### Benelux Opposition

10. Benelux opposition to the EDC stems primarily from their fears of French or possibly German domination and from their doubts regarding the military practicability of the scheme. This opposition, particularly strong in Belgium, is presently focused on the supra-national concepts of a single European defense ministry, a truly common budget and armament program and the integration of almost their entire continental-based military establishments into the EDC. They would prefer a budget based on national contributions and insist that the Council of Ministers representing each country have control over any central organs. It is clear that their objections are strong and that the final decision of the Benelux countries is in doubt. While Benelux adherence to the EDC is by no means a necessity, the absence of these countries would undermine the European character of the project and might well prejudice its consideration by the other prospective signatories.

#### German Opposition

11. The chief factor which threatens German adherence to the EDC lies in the hostility of the SPD to the project. The Socialists have already announced their determination to bring the issue of rearmament before the recently established Constitutional Court and there can be no doubt of their ability to muster the necessary one-third support in the Bundestag. It is not clear however, whether final passage of the

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EDC convention will be delayed by the Court's deliberations; the ruling of the Court is equally in doubt.<sup>4/</sup> In the event the Court should rule that constitutional issues are involved, the constitution would have to be amended, requiring a two-thirds vote of both houses. The SPD could easily block passage of a constitutional amendment, thereby forcing Adenauer either to acquiesce or to resort to national elections.

12. Meanwhile, Adenauer will be faced with the task of holding his coalition together in support of the contractual accords, and the Plevin and Schuman Plans. While the coalition parties are likely to continue to support the Chancellor, and have already endorsed Adenauer's agreement to the general convention, their support of a final detailed accord, although probable, is by no means assured. Moreover, numerous other related problems, such as further Soviet stimulation of the German unity issue or the growth of German demands for full membership in NATO, may further complicate the definitive association of West Germany with the West.

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4/ By a simple majority vote, the Court can issue a stay of action holding up final legislative action for a three month period. A two-thirds majority would be required to extend this beyond three months. The ruling of the Court on the substantive issues requires a simple majority.

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**SECURITY INFORMATION**

**TAB "A"**

**DRAFT AGREEMENT ON GENERAL RELATIONS**

**PREAMBLE**

WHEREAS a peaceful and prosperous European community of nations firmly bound to the other free nations of the world through dedication to the principles of the Charter of the United Nations can be attained only through united support and defense of the common freedom and the common heritage;

WHEREAS it is the common aim of the Signatory States to integrate the Federal Republic on a basis of equality within the European Community itself included in a developing Atlantic Community;

WHEREAS the achievement of a fully free and unified Germany through peaceful means and of a freely negotiated peace settlement, though prevented for the present by measures beyond their control, remains a fundamental and common goal of the Signatory States;

WHEREAS the retention of the Occupation Statute with its powers of intervention in the domestic affairs of the Federal Republic is inconsistent with the purpose of such integration.

WHEREAS the Three Powers are therefore determined to retain only such special rights, the retention of which, in the common interest of the Signatory States, is necessary in regard to the special international situation of Germany;

WHEREAS the Federal Republic is determined to maintain a liberal-democratic federal constitution which guarantees the rights of the individual and which is enshrined in its Basic Law, and has developed free and responsible political institutions;

WHEREAS the Federal Republic shares with the Three Powers a determination to abide by the principles of the Universal Declaration of Human Rights;

WHEREAS the Three Powers and the Federal Republic recognize the new relationship established by these Conventions and the Treaties for the creation of an integrated European Community as essential steps to the achievement of their common aim for a unified Germany integrated within the Western European Community;

1/ There will eventually be inserted here a reference to the European Community for Coal and Steel and the European Defense Community.

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NOW THEREFORE, the United States of America, the United Kingdom of Great Britain and Northern Ireland, and France, on the one hand (referred to herein as the Three Powers), and the Federal Republic of Germany, on the other, have entered into the following Convention to set forth the basis for their new relationship:

DRAFT AGREEMENT ON GENERAL RELATIONS

Article I

1. The Federal Republic shall have full authority over its domestic and external affairs, except as provided in this Convention.
2. The Three Powers will revoke the Occupation Statute and abolish the Allied High Commission and the Offices of the Land Commissioners, upon the entry into force of this Convention and the Conventions listed in Article VIII (called herein "the related Conventions".)
3. The Three Powers will thenceforth conduct their relations with the Federal Republic through Ambassadors who will act jointly in matters the Three Powers consider of common concern under this Convention and the related Conventions.

Article II

1. In view of the international situation, the Three Powers retain the rights, heretofore exercised or held by them, relating to (a) the stationing of armed forces in Germany, and the protection of their security, (b) Berlin, and (c) Germany as a whole, including the unification of Germany and a peace settlement.
2. The Federal Republic will refrain from any action prejudicial to these rights and will cooperate with the Three Powers to facilitate their exercise.

Article III

1. The Federal Republic agrees to conduct its policy in accordance with the principles set forth in the Charter of the United Nations and with the aims defined in the Statute of the Council of Europe.

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2. The Federal Republic affirms its intention to associate itself fully with the community of free nations through membership in international organizations contributing to the common aims of the free world. The Three Powers will support applications for such membership by the Federal Republic at appropriate times.

3. In their negotiations with States with which the Federal Republic maintains no relations, the Three Powers will consult with the Federal Republic in respect to matters directly involving its political interests.

4. At the request of the Government of the Federal Republic, the Governments of the Three Powers will arrange to represent the interests of the Federal Republic in relations with other States and in certain international organizations or conferences, whenever the Federal Republic is not in a position to do so itself.

#### Article IV2/

1. The mission of the armed forces stationed by the Three Powers in the Federal territory will be the defense of the free world, of which the Federal Republic and Berlin form part.

2. The Three Powers will consult with the Federal Republic insofar as the military situation permits, regarding the stationing of such armed forces in the Federal Republic. The Federal Republic will cooperate fully, in accordance with this Convention and the related Conventions, in facilitating the tasks of such armed forces.

3. Except in case of external attack or imminent threat of such attack, the Three Powers will obtain the consent of the Federal Republic before bringing into its territory, as part of their forces, contingents of the armed forces of any nation not now providing such contingents.

4. The Federal Republic will participate in the European Defense Community in order to contribute to the common defense of the free world.

#### Article V

1. In the exercise of their right to protect the security of the armed forces stationed in the Federal Republic, the Three Powers will conform to the provisions of the following paragraphs of this Article.

2/ This article should also, in the Allied view, include a reference to whatever provisions are later agreed upon regarding restrictions on other military activity and regulation of production and research for military purposes.

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2. The Three Powers may proclaim a state of emergency in the whole or any part of the Federal Republic if they find that the security of the forces is endangered—

by an attack on the territory of the Federal Republic or Berlin, or

by subversion of the liberal-democratic basic order, or

by a serious disturbance of public order, or

by a grave threat of any of these events,

and that the Federal Republic and the European Defense Community are unable to deal with the situation.

3. Upon the proclamation of a state of emergency, the Three Powers may take such measures (including the use of armed force) as are necessary to maintain or restore order and to ensure the security of the forces.

4. The proclamation will specify the area to which it applies. The state of emergency will not be maintained any longer than necessary to deal with the emergency.

5. The Three Powers will consult to the fullest extent possible with the Government of the Federal Republic before proclaiming a state of emergency and while the state of emergency continues. They will utilize to the greatest possible extent the assistance of the Federal Government and the competent German authorities.

6. If the Three Powers do not terminate a state of emergency within thirty days after a request by the Federal Government to do so, the Federal Government may submit a request to North Atlantic Council to examine the situation and consider whether the state of emergency should be terminated. If the Council concludes that continuance of the state of emergency is no longer justified, the Three Powers will restore the normal situation as promptly as possible.

7. Independently of a state of emergency, any military commander may, if his forces are imminently menaced, take such immediate action appropriate for their protection (including the use of armed force) as is requisite to remove the danger.

8. In all other respects, the protection of the security of these forces is governed by the provisions of the related Convention.

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Article VI

1. The Three Powers will consult with the Federal Republic in regard to the exercise of their rights relating to Berlin. The Federal Republic<sup>3/</sup> will cooperate with the Three Powers in order to facilitate the discharge of their responsibilities with regard to Berlin.

2. The Federal Republic will continue its aid to the political, cultural, economic, and financial reconstruction of Berlin, and in particular will grant it such aid as set out in the annexed Declaration of the Federal Republic (Annex ——— of the present Convention).<sup>4/</sup>

Article VII

1. The Three Powers and the Federal Republic are agreed that an essential aim of their common policy is a peace settlement for the whole of Germany, freely negotiated between Germany and her former enemies, which should lay the foundation for a lasting peace. They further agree that the final determination of the boundaries of Germany must await such a settlement.

2. Pending the peace settlement, the Three Powers and the Federal Republic will cooperate to achieve, by peaceful means, their common aim of a unified Germany enjoying a liberal-democratic constitution, like that of the Federal Republic, and integrated within the Western European Community.

3. The Three Powers and the Federal Republic agree that a unified Germany shall be bound by the obligations of the Federal Republic under this Convention and the related Conventions and the Treaties for the formation of an integrated European Community, as adjusted according to their terms or by agreement of the parties thereto, and shall likewise be entitled to the rights of the Federal Republic under these Conventions and Treaties.

<sup>3/</sup> The reference to "Laender" here and elsewhere has been deleted on condition that the Federal Government submits an official legal opinion to the effect that where, in a treaty or agreement executed by it, the Federal Republic assumes an obligation to take specific action, the Laender are also obligated to take the same action, even though not specifically mentioned in the treaty or agreement.

<sup>4/</sup> At or before the effective date of these Conventions, the Three Powers intend, as far as the situation in Berlin permits, to relax the controls in Berlin. If this has not already been accomplished, the Three Powers will, by letter to Berlin and the Federal Republic, state their intention to do so promptly.

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4. The Three Powers will consult with the Federal Republic on all other matters involving the exercise of their rights relating to Germany as a whole.

#### Article VIII

The Three Powers and the Federal Republic have entered into the following related Conventions which will become effective upon the coming into force of this Convention. (list)

#### Article IX

1. There is hereby established an Arbitration Tribunal which shall function in accordance with the provisions of the annexed Charter.

2. The Arbitration Tribunal shall have exclusive jurisdiction over all disputes arising between the Three Powers and the Federal Republic under the provisions of this Convention or any of the related Conventions, which the parties are not able to settle by negotiation, except as otherwise provided by paragraph 3 below or in the related Conventions. 5/

3. Any dispute involving the rights of the Three Powers referred to in Article II, or action taken thereunder, or involving the provisions of Article V, paragraphs 1 to 7 inclusive, shall not be subject to the jurisdiction of the Arbitration Tribunal or of any other tribunal or court.

#### Article X

The Three Powers and the Federal Republic will review the terms of this Convention and the related Conventions—

- (1) Upon the request of any one of them, in the event of the unification of Germany or the creation of a European federation; or
- (2) Upon the occurrence of any other event which all the signatory States recognize to be of a similarly fundamental character.

Thereupon, they will, by mutual agreement, modify this Convention and the related Conventions to the extent made necessary or advisable by the fundamental change in the situation.

5/ The form of this exception may be subject to revision upon completion of the negotiations of the individual Conventions.

Quoted from Rome D-8 - 22 Nov. 51.

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~~TAB "B"~~

SUBJECT: Security Guarantee

"On the occasion of the entry into force of the conventions establishing a new basis for the relationship between France, the UK and the U.S. on the one hand and the Federal Republic of Germany on the other, the three powers -- (a) declare that they consider the integrity of the Federal Republic and Berlin an essential element of the peace of the free world; (b) reaffirm that they will treat any attack against the Federal Republic or Berlin from any quarter as an attack upon themselves, and (c) declare that they will maintain armed forces within the territory of the German Federal Republic and Berlin for such time as they deem necessary, having regard to their special responsibilities in Germany and the world situation."

S Bonn 508, 26 Nov. 51

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TAB "C"

**SUBJECT: Financial Aspects of the Pleven Plan**

**General Financial Questions**

The basis of the Conference discussions is that all the expenditures for the activities of EDC forces will be covered by a common budget to be prepared by the Commissioner and his services, approved by the Council, and acted on by the Common Assembly, and that receipts to cover these expenditures are to come from annual contributions of the member States. The contributions are to be based on financial and economic capacity and not on the cost of the defense forces from each member State nor on the expenditures for EDF forces in the currency of each member State.

The common budget would make it possible to have a single armament program and thereby to obtain economies of specialization in production and efficiency of common equipment and supply. In addition, the safeguards inherent in control by the Community over armament manufacture would make it possible to remove from German industry many of the present security restrictions, to which the Federal Republic is not likely to agree, and would enable full use of German capacity for defense production according to common standards under the Community. Allocation of production among the member States would enable each State to make full use of its potential while remaining dependent on other sources for some types of essential equipment. These various advantages would be lost under the Belgian position that the member States should create national forces financed by national budgets and supported by national procurement programs.

There has been no attempt in the EDF Conference to make a costing forecast of possible EDF budgets for any of the next three years. However, the proposed force build-up of EDF, including the German components, was given to TCC for planning purposes. The French delegation has insisted that the costing exercise in the TCC analysis will determine the major part of the costing for EDC forces and that the EDF Conference should wait for the initial results of the TCC analysis.

The French delegation has also taken the position that the Conference should not consider the question of all percentages for sharing expenditures in the Common Budget until the over-all costing and forces information is available from TCC. The basic reason for the French reluctance is, of course, their complete uncertainty as to size of their own contribution in forces and finance to the defense of Europe. In French Cabinet discussions of the basic problem of French-German equality in Europe, it was roughly estimated that the contributions of France and Germany to EDF common budget would approximate one-third each, with the remaining third being divided between Italy and the Benelux countries.

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On the technical level Conference has reached agreement on a skeleton outline for the organization of the Financial Directorate under the Commissioner and has written a detailed Financial Regulation on the preparation, execution and auditing of the Com on budget.

The Conference has not made much progress on the transfer problem in the absence of planning estimates for expenditures and contributions for the Common Budget. The Conference has envisaged that transfers would be limited to 10 percent of any country's contribution. Such a limitation might seriously hinder the operation of the common Budget and procurement program.

The Conference is still seeking a means to resolve the problem of instituting common scales for pay, family allowances, and pensions of European forces.

#### Problem of Initial Financial Arrangements

The Conference has proceeded on the assumption that there will be an annexed Convention setting out common financial arrangements to apply during the initial period following the entry into force of the Treaty. It recognizes that such initial common financial arrangements must not delay the immediate raising and equipping of German units and must not hamper the defense programs now under way in other EDC countries.

The Conference, has only begun discussion of the question of such initial common financial arrangements. It has been awaiting a French proposal on this question. The French, however, have delayed real discussion because of uncertainty as to the size of their own financial and force contributions in 1952, both overall and to EDC. Recently the French have become even more reluctant to discuss this question because of their increasing expenditures in Indo-China and of the crisis in their dollar balance of payments.

The French wish to achieve equality in two aspects simultaneously: (1) equality between the French and German financial contributions within the Community; and (2) equality between the total contributions of France and Germany to defense. This leads them to try to offset their own expenditures outside EDF for Indo-China, their Navy and other national forces by having Germany pay an equal amount as a special contribution to EDF and as support for U.S. and U.K. forces in Germany.

None of the proposals for this purpose considered so far by the French are satisfactory. The French are now working on a proposal which in effect would recognize the European character of the French military effort in Indo-China and any support by Germany of the U.S. and U.K. forces by treating such expenditures as a part of their contribution to European defense.

Quoted from Rome D-8/1 - 29 Nov 51

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